

Milwaukee County Employees' Retirement System (ERS)
Pension Budget, Audit and Compliance Committee Meeting

MINUTES

Call to Order:

Guy Stuller, Chairman, called the Audit Committee Meeting to order at 1:00 pm, on 11-4-10, in the 2nd Floor/Commission Room (210) of the Milwaukee County Courthouse, at 910 North 9th Street, Milwaukee, WI 53233.

Roll Call:

Board Members Present:

Guy Stuller
Keith Garland

Others Present:

Gerald Schroeder David Arena
Gregory Storm Mark Grady

Three (3) handouts were provided to the Audit Committee members and others:

- Request for Proposal (RFP) List
 - Deferred Vested Notification (Early Retirement) Paper
 - Protective Survivorship Option (PSO) Notification Paper
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1. Topic: RFP-Re-issuance List

At the request of the Audit Committee, an RFP List was prepared and distributed by ERS. It reflected the major services that periodically need to be put out for bid. Some modifications were made and the process was discussed. The committee agreed to target December or January for issuance of the Legal Services RFP and to target January or February of 2011 for issuance of the actuarial services RFP. The committee also agreed to do an RFI for banking services. In 2011, an RFI letter will be prepared and distributed to local banks. The letter will outline requested services, the amount of funds maintained in the account and a required deadline for written submissions.

The revised RFP List will be submitted to the Pension Board on 11-17-10 and the committee will recommend approval to proceed with the 2011 RFP's.

2. Topic: Deferred Vested Notification (Early Retirement) – Discussion

The Pension Board in September requested that the Audit Committee review the current Deferred Vested (Early Retirement) notification practice. This was referred back to committee, based on the Board approving Deferred Vested notification for normal retirements.

Notification was discussed based on no legal requirement, but an ethical commitment may be a consideration. There currently are 56 deferred vested members who qualify for early-reduced retirement. They may or may not be aware of their eligibility. If they were to die in this status, no pension benefits would be paid out.

There remains a V-3 cost to modify the system to accommodate this notification process. There were concerns over possible confusion and whether and how often such a notice might have to be sent; e.g., at age 55, 56, 57, etc. It was pointed out that ERS sends out annual Pension Statements to active employees and deferred vested individuals. Therefore, some sort of annual communication does go out to these individuals. ERS recommends doing nothing at this time and revisiting the issue sometime in the future.

The committee recommended not proceeding with individualized notifications and the resulting costly V-3 reprogramming. Instead, they recommended expanding the annual Pension Statement for next year. The statement is to include a general reminder that an early-reduced retirement benefit is available at age 55.

3. Topic: PSO Notification (Employees) - Discussion

A discussion took place concerning Protective Survivorship Option (PSO) notification. The V-3 system identified 909 retirement-eligible members still in active service. They may or may not be aware of the PSO ramifications.

It was pointed out that V-3 is currently able to notify employees of the PSO process, with little or no related costs. Employees with no spouse and no signed PSO run the risk of having no pension benefits left to their beneficiary.

The committee approved proceeding with this notification process. The current PSO form can be used, with the cover letter to be revised by Corporation Counsel.

4. Topic: Management Fees and Investment Costs - Discussion

Discussion took place relating to the hidden costs associated with investments. In 2011, the committee would like a better breakout of manager fees, in order to keep more accurate accounting books. The Fiscal Officer is committed to this project with the addition of the Fiscal Officer Assistant position being filled.

5. Topic: ERS Records Security

ERS records and member information was discussed from a security perspective. ERS pointed out that the current practice includes:

- A locked and secured Records Room
- A records sign-in and sign-out process
- Restricted computer security access
- Only County staff located in the Records Room
- Temporary staff having been terminated
- Computer lock down at night
- Retraining of staff on confidentiality
- Restricted clearances
- Shredding of documents
- Controlled open records request process

The committee recommended that the next ERS Communicator (newsletter) address the recent issue of the breach of confidentiality concerning member information. They felt that it may serve to calm the overall member population.

6. Topic: Employee Election – Board Rule Change

At a previous Pension Board meeting, the retiree election process had some language modified to accommodate the current electronic voting method. The employee election process language now needs to also be updated.

ERS will submit the recommended language changes to Corporation Counsel for a Board Rule change, at the December Board meeting.

7. Topic: The Audit Committee adjourned at 2:20 PM



Submitted by
Gerald J. Schroeder
ERS Manager